

CITY OF OREM
SPECIAL CITY COUNCIL MEETING
56 North State Street Orem, Utah
May 22, 2014

2:30 P.M. SPECIAL SESSION

CONDUCTING	Mayor Richard F. Brunst, Jr.
ELECTED OFFICIALS	Councilmembers Hans Andersen, Margaret Black, Mark E. Seastrand, and David Spencer Councilmember Tom Macdonald participated electronically
EXCUSED	Councilmember Brent Sumner
APPOINTED STAFF	Brenn Bybee, Assistant City Manager; and Steven Downs, Assistant to the City Manager
CENTURYLINK STAFF	Georganne Weidenbach, State and Local Government Affairs Director; Larry Walters, Vice President / General Manager Salt Lake City Region

SCHEDULED ITEMS

2:30 P.M. DISCUSSION
Fiber Network Alternatives – CenturyLink

Mayor Brunst allowed time for introductions.

Mayor Brunst said Macquarie had given Orem permission to explore alternatives.

Mrs. Black asked if CenturyLink had proposed a non-disclosure agreement (NDA).

Mr. Walters said CenturyLink had approached UTOPIA many times before the Macquarie proposal came about.

Ms. Weidenbach said UTOPIA had approached CenturyLink many times to see if anything could be done to work together.

Mr. Walters said the last time he sat down with Todd Marriott, with UTOPIA, Mr. Marriott suggested that the groups get together an NDA so that a relationship between the two parties could be more adequately explored. Mr. Walters said ultimately CenturyLink was not able to pull together the NDA.

Ms. Weidenbach said the two parties could not agree on the language in the document.

Mrs. Black asked what it was that could not be agreed upon.

Ms. Weidenbach said it was a legal issue having to do with GRAMA. She said if CenturyLink could not see the network, it was not able to see if a working relationship would work or not. Ms. Weidenbach said Mr. Marriott had approached CenturyLink asking if there was any way that the two parties, UTOPIA and CenturyLink, could work together. CenturyLink was not willing to ride the UTOPIA network, but did entertain the idea to purchase some of the dark fiber. CenturyLink said it would have to see the network to see if CenturyLink could benefit from any potential relationship.

Mayor Brunst said CenturyLink had announced it was running fiber to businesses in Salt Lake.

Mr. Walters said fiber was being run to approximately 130 different buildings, which would serve about 2,800 different businesses. What CenturyLink announced was pre-lighting the buildings with the fiber, so that when business tenants came in to occupy the space it would be a lot quicker to get them connected to the fiber.

Ms. Weidenbach said CenturyLink provided fiber to the home in the new developments being built in areas CenturyLink served.

Mr. Seastrand asked if the critics that said fiber optics was outdated were incorrect. Ms. Weidenbach said fiber optics had been used over the last forty years and it wasn't going anywhere.

Mayor Brunst asked if Orem City was to put out an RFP to serve both residences and businesses, would CenturyLink respond to that RFP. Ms. Weidenbach said yes it would.

Mr. Walters said UTOPIA as a whole was a different duck. If the City of Orem was individual in putting out an RFP, then it would be a different conversation. Orem would have to break off from UTOPIA and go dark. Mr. Walters said CenturyLink was not interested in dealing with any of UTOPIA's bonds or existing debt.

Mrs. Black asked if CenturyLink's future efforts would be focused on fiber. Ms. Weidenbach said yes.

Mayor Brunst read the response CenturyLink provided to Park City regarding Park City's network.

Ms. Weidenbach said most technologies in the United States were driven by the American National Standards Institute (ANSI). If typical protocol was being followed, then likely the protocol would be what ANSI used.

Mayor Brunst discussed what was going on with Park City's progress in the RFP process for Park City's network.

Mr. Andersen said Park City had hills. He asked if CenturyLink was going to put in fiber or if wireless technology would be used.

Mr. Walters said the original proposal included servicing only Park City proper. Park City was also looking for information on how CenturyLink would get the fiber network built in Park City. There were many ways to get the fiber to the house, so Park City wanted to explore those options.

Ms. Weidenbach said CenturyLink had a patented conduit that was laid less deep in the ground. There were trials being conducted on the effectiveness of that conduit.

Mayor Brunst said micro trenching was another method being explored.

Mr. Walters said CenturyLink had been doing fiber in the ground for a long time. Google came along and made “fiber to the home” look very desirable.

Mayor Brunst asked where in Utah CenturyLink had provided fiber to new developments. Ms. Weidenbach said all over Utah.

Mr. Seastrand asked what the difference was between Brownfield and Greenfield. Ms. Weidenbach said Brownfield referred to building fiber to an existing neighborhood. Greenfield referred to building fiber to a new development.

Mr. Walters said any time there was a new development in Utah, CenturyLink would sit down with the developer to see if the developer wanted CenturyLink to build conduit in the ground. It was much easier to put fiber into a brand new development while the development was being built. Building fiber to existing neighborhoods was harder because of the necessity to disrupt the existing ground to install the conduit.

Mr. Bybee and Mayor Brunst asked how long CenturyLink had been doing fiber Greenfield in Utah. Mr. Walters suspected CenturyLink had been doing it for over a year. Ms. Weidenbach added that fiber to the home had been going on for the last five or ten years. She suspected CenturyLink had been doing fiber Greenfield for at least the past three years.

Mayor Brunst said this conversation was an exploratory conversation. He then asked Ms. Weidenbach and Mr. Walters the following question: if the eleven Cities as a whole put out an RFP to use Brownfield fiber, Greenfield fiber, and existing fiber, would CenturyLink have an interest in providing a proposal. Mr. Walters and Ms. Weidenbach replied yes.

Mr. Seastrand asked why CenturyLink was not interested in providing an open network. Ms. Weidenbach said CenturyLink had its own network and that it was very robust. Mr. Walters added that operating a closed network provided a differentiator in the service. If all the different providers were running on the same fiber line and something happened to that line, Mr. Walters said no one would know who was responsible for fixing the line.

Mayor Brunst said CenturyLink was only interested in a closed network.

Mrs. Black said CenturyLink would not provide a ubiquitous service.

Mr. Walters said they would use a success-based model. The fiber would be run down every street. If the resident wanted to get hooked up on the network, then CenturyLink would run the fiber the last fifty feet.

Mr. Macdonald asked what ONT meant. Mr. Walters said ONT stood for Optical Network Terminal. Mayor Brunst added that the ONT was similar to what UTOPIA referred to as the local access portal on the outside of the house.

Mr. Walters said that, should CenturyLink get involved with UTOPIA, CenturyLink would ultimately have to look at its opportunity to make money in a reasonable amount of time with its investment.

Mrs. Black said in the past CenturyLink had not been interested in this big of an investment.

Ms. Weidenbach said no one had approached CenturyLink with an RFP to see what it could do. The conversations had not ever gone very deep.

Mayor Brunst asked how much investment CenturyLink had in the state of Utah. Mr. Walters said CenturyLink had invested approximately \$3 billion in Utah. Utah was CenturyLink's seventh biggest build. CenturyLink planned to stay operating in Utah.

Mayor Brunst asked about outages and downtime on the system. Mr. Walters said the biggest issue with downtime was when someone digs up a road and cuts the fiber. That kind of instance was always addressed quickly.

Mayor Brunst said UTOPIA had an existing system. Potentially the eleven cities could put out an RFP and say the Cities would want the RFP respondents to take over and run the existing system.

Mrs. Black asked how that would be possible if UTOPIA was an open network. Mayor Brunst said the network did not necessarily have to stay an open network.

Mr. Macdonald added a point of clarification that creating a closed network was exactly what Google had done.

Mrs. Black asked if that was against what the legislature had mandated. Mayor Brunst said the legislation dictated that the Cities could not be a retailer; they could only be a wholesaler.

Mayor Brunst said the Cities were currently leasing some of the fiber the Cities had. He suggested the RFP respondent could come in and lease the fiber using the existing system, add fiber to the stimulus grant, and build fiber to the homes.

Mr. Seastrand stated the operational cost would be taken over by the potential RFP respondent.

Mrs. Black asked about the existing UIA customers. Ms. Weidenbach said it could be looked at many ways, and could be similar to the iProvo network purchase.

Ms. Black asked if CenturyLink could provide a simple explanation of what kind of proposal it was looking at in a single sentence.

Mayor Brunst said the proposal would come from Orem. He asked if CenturyLink would be interested responding if the eleven Cities put out an RFP similar to what Park City did, to come in and lease the current infrastructure and add to it fiber to every street in order to provide a ubiquitous build based on a demand model.

Mrs. Black asked if they could do it in a short amount of time. Ms. Weidenbach said they would not know until they saw the RFP.

Mr. Spencer said leasing the fiber could generate revenue to possibly address some of the existing debt.

Mr. Walters said the RFP would have to be carefully detailed in defining exactly what the Cities wanted.

Mayor Brunst asked how large CenturyLink was in annual revenues. Mr. Walters said there were 45,000 employees nationwide. The history was that in the last 75 years, the company had had 3 CEOs. CenturyLink was about growing and building the business.

Mrs. Black asked about the cloud, and requested Mr. Walters to explain what it was. Mr. Walters said the cloud would upkeep servers for the customer so the customer did not have to do it. Customers could buy capacity and the cloud would maintain and keep the information, with the option to automatically grow or downsize with the company, depending on the company's growth needs. Larger companies used the cloud as a means of disaster back-up. Companies found they did not have to spend the money on IT staff and servers because the cloud services took over that responsibility. The cloud was the direction of the future.

Mr. Seastrand said the cloud concept was likely driving the need for fiber.

Mr. Macdonald asked if there was a price that CenturyLink would buy what Orem had.

Mr. Walters said UTOPIA would have to show CenturyLink what it had in order to know what action to take.

Mr. Bybee asked CenturyLink to share information on its current pricing structure.

Ms. Weidenbach said the information was on CenturyLink's website; she suspected it was \$79.95 for 1GB of service.

Mayor Brunst said businesses typically paid more for the same speed. Mr. Walters said that was often because of service level agreements in watching the businesses network, and guaranteeing the businesses did not have down time.

Mr. Seastrand asked if CenturyLink had a chance to review the Macquarie proposal. Mr. Walters said he did not have anything to comment on that.

Ms. Weidenbach said she was not an attorney but that her personal opinion was that the Macquarie proposal was illegal. CenturyLink attorneys were looking at the legal challenges of that proposal.

The councilmembers present thanked those in attendance at the meeting for coming.

ADJOURNMENT

The meeting adjourned at 3:45 p.m.

Donna R. Weaver, City Recorder

Approved: June 17, 2014